

LFMD Earnings Call Transcript

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Quarter: 3

Operator: Good afternoon. Thank you for joining us today to discuss LifeMD's results for the third quarter ended September 30, 2025. Joining the call today are Justin Schreiber, Chairman and Chief Executive Officer; and Marc Benathen, Chief Financial Officer. Following management's prepared remarks, we will open the call for a question-and-answer session. Before we begin, I would like to remind everyone that during this call, the company will make a number of forward-looking statements, which are subject to numerous risks and uncertainties that may cause actual results to differ materially from those projected. These risks and uncertainties are described in the company's 10-K and 10-Q filings, and within other filings that LifeMD may make with the SEC from time to time. Forward-looking statements made during this call are based on current information available to the company as of today, November 17, 2025. The company assumes no obligation to update or revise any forward-looking statements after today's call, except as required by law. Also, please note that management will be discussing certain non-GAAP financial measures that the company believes are important in evaluating LifeMD's performance. Details on the relationship between these non-GAAP measures to the most comparable GAAP measures and reconciliations thereof can be found in the press release issued earlier today. Finally, I would like to remind everyone that today's call is being recorded and will be available for replay in the Investor Relations section of the company's website. Now I'd like to turn the call over to LifeMD's CEO, Justin Schreiber. Please go ahead.

Justin Schreiber: Thank you, and good afternoon, everyone. After the market closed, we issued a news release announcing our third quarter financial results and posted an updated corporate presentation on our website at ir.lifemd.com. LifeMD made considerable progress executing on our strategic plan in the third quarter. Our RexMD business returned to growth adding approximately 10,000 net new subscribers, and our weight management offering has stabilized and is now well positioned for significant growth in 2026. We also continued to deliver strong year-over-year performance with telehealth revenue up 18% and adjusted EBITDA increasing 30% compared to the prior year period. That said, the most exciting thing about LifeMD today is not our past performance or even the results this quarter, but the important foundational steps we have taken to set the company up for an exceptional 2026. During and following the third quarter, we made substantial progress on our women's health and behavioral health offerings, two verticals that we believe have the potential to each become 9-figure businesses over the next 3 years. We also advanced the development of our LifeMD+ membership and in-app health marketplace, which we expect will meaningfully enhance patient experience, deepen engagement and strengthen long-term retention. In addition, we secured regulatory approval for our nonsterile 503-A compounding pharmacy, a major milestone that will dramatically expand our ability to produce personalized medications at scale and a significantly improved economics compared to relying on third-party pharmacy partners. We were also pleased to successfully divest our majority interest in WorkSimpli. This transaction strengthened our balance sheet and allows us to operate as a pure-play virtual care and pharmacy company. While it was a difficult decision, the opportunity in front of our core business is so substantial that we felt it was essential to dedicate 100% of our focus and resources to our core health care platform. As we look ahead to 2026, our strategic priorities are clear. One, accelerating high-quality growth in our weight management offering by leveraging our collaborations with Novo Nordisk, Eli Lilly and others. Two, scaling our virtual

women's and behavioral health businesses built around synchronous care delivered by highly trained providers and personalized therapies. Three, expanding and diversifying RexMD, particularly through personalized compounded medications and hormone therapies. And four, launching a more robust unified LifeMD platform and marketplace designed to increase patient engagement, improve cross-care participation and deliver a significantly enhanced experience across both mobile and desktop applications. LifeMD has made a deliberate decision to play the long game in the GLP-1 space. We are one of the few virtual care providers fully integrated with both Novo Nordisk and Eli Lilly. And we believe these collaborations represent a significant and durable competitive advantage, especially as prices come down on branded therapies and oral therapies come to market. The last 2 quarters have been challenging in the weight management category due to intense competition from low-cost and, in many cases, low-quality compounded GLP-1 makers offering prices we cannot and will not match. While many of these compounded products are less effective and in some cases, unsafe, aggressive marketing and artificially low entry price points have drawn in a portion of consumers and created near-term pressure. Despite this environment, we have maintained our market share, remained disciplined and continued investing in the high-quality, clinically sound weight management model that we believe will create long-term shareholder value. We have consistently believed that branded GLP-1 manufacturers would ultimately reduce pricing to broaden patient access. And that moment is now clearly underway. Just this morning, we announced that through our collaboration with Novo Nordisk, LifeMD will begin offering Wegovy and Ozempic to self-pay patients for \$199 for the first 2 doses, a 60% reduction from current prices. Higher doses will be available to self-pay patients for \$349 per month, representing a 30% reduction. Eli Lilly also recently announced that self-pay patients will be able to access the Zepbound multi-dose pen, if FDA approved, at \$299 for the lowest dose and up to \$449 for the highest dose. Even more exciting is the expected approval of the Wegovy pill with a PDUFA date in late December. Analysts widely anticipate FDA approval and commercial availability in early January. LifeMD will be among the first virtual care providers to offer oral Wegovy through our collaboration with Novo Nordisk. While formal pricing has not been publicly released, we expect lower dose levels to be approximately \$149 per month based on recent public remarks from President Trump. The Wegovy pill is expected to be the most effective oral medication for weight loss ever approved by the FDA. In clinical trials, patients achieved on average 15% weight loss over 68 weeks with side effect profiles comparable to the injectable formulation. In addition, Eli Lilly plans to launch its oral GLP-1, orforglipron, later in 2026, which we also anticipate offering through our platform at accessible pricing. The bottom line is clear. oral therapies combined with substantial price reductions will fundamentally broaden access, accelerate demand and reshape the GLP-1 landscape. With more than 130 million Americans eligible for treatment, LifeMD is uniquely positioned to be a leading virtual destination for high-quality longitudinal care. Care is essential for patients to achieve the long-term outcomes these medications can deliver. Our men's health platform, RexMD, also had a strong quarter overall. Demand for our personalized ED medications, which combines sildenafil and tadalafil has been exceptional. And these formulations now represent 25% of all new ED prescriptions on the platform. These medications are currently fulfilled through a third-party pharmacy partner, so we plan to bring the majority of this fulfillment into LifeMD's in-house pharmacy in early 2026. This transition will meaningfully reduce COGS, improve gross margins and give us full control of the end-to-end patient experience. Our hormone replacement therapy offering is also demonstrating strong momentum and clear signs of future scalability. Early patient retention has been strong. New patient acquisition continues to grow. Demand is robust across age groups, and we have expanded into men's HRT coverage to 35 states. In addition, RexMD continues to broaden its portfolio with new men's-focused pharmacy products across behavioral health, weight loss, dermatology and more. We believe that our recently licensed 503-A compounding pharmacy will be a major enabler of RexMD's growth, allowing us to offer personalized therapies, lower-cost compounded options and superior margins across multiple men's health categories in 2026 and beyond. In addition to our weight management and men's health businesses, we are very optimistic about the 2026 opportunity in both women's health and behavioral health. Demand in both categories is very strong. And while these businesses are not yet contributing meaningfully to revenue, the initial engagement metrics, interest levels, click-through rates and acquisition costs are on par with categories like ED and weight loss that scaled rapidly within their first

year. In both verticals, our focus is on building high-quality, high retention revenue streams. In my view, industry-leading retention is driven by 3 things: an exceptional product, great patient care and customer service, and transparent pricing and strong value proposition. We also believe that enabling patients to use their commercial or government insurance is a critical part of the equation. While insurance enablement has been slower to deploy in our platform than planned, it remains a top strategic priority and will be an important component of our 2026 story. Our women's health business is highly differentiated. We have built and continue to expand an exceptional advisory Board of national leaders in women's hormonal health, menopause, bone health and longevity. We've also assembled a dedicated, highly trained clinical team to deliver this care, and we are confident in our ability to scale as demand accelerates. Patients can choose between bundled care and prescription cash pay programs or flexible models where they pay a la carte or use insurance to cover visits, lab work and commercially available medications. In addition, our in-house compounding pharmacy will enable affordable access to compounded therapies for hormone optimization, sexual health, dermatology and more. We believe this will be the highest quality, most comprehensive and most accessible virtual women's health offering in the country, and we expect demand to be extremely strong. Our psychiatry offering follows a similar structure, combining a la carte consults with bundled care plus medication programs that deliver discounted access and long-term, high-quality care. Most patients begin with a synchronous consultation with a state license provider before transitioning into asynchronous message-based ongoing care. While the current patient count is small relative to our overall business, we saw meaningful quarter-over-quarter traction and expect psychiatry to become a sizable business in 2026. We believe this category will be another powerful, durable growth engine for LifeMD. Given the strength of our balance sheet and the promise of these new offerings, we intend to invest in growth in these verticals early on in 2026 to rapidly build the patient base in these 2 verticals and in our offering to drive superior long-term retention. Lastly, we are investing significant energy and resources into launching the core functionality and features that will enable LifeMD to execute on its long-term vision, building the leading integrated marketplace for virtual care, pharmacy, laboratory services and wellness. Much of this functionality, including a comprehensive relaunch of the LifeMD website and mobile app, we'll be rolling out between now and early Q1 2026. These upgrades will allow patients to effortlessly participate across multiple care programs, access a broad suite of pharmacy offerings and order convenient in-home lab testing through a partnership we expect to formally announce early next year. Enabling seamless navigation across cash pay and insurance supported workflows is not easy, but it is essential to our long-term strategy. When completed, these enhancements will not only broaden the depth and breadth of services we provide, they will also deliver a significantly improved patient experience with clear pricing, more flexibility and expanded a la carte options. Our objective is for patients to view LifeMD as a true virtual care destination, a place where they can access synchronous or asynchronous visits with trusted clinicians; obtain generic, branded or compounded medications at transparent prices; and conveniently order the labs that support their health goals and inform long-term care plans across both primary and specialty programs. We believe the integration of these capabilities will meaningfully differentiate LifeMD, deepen patient relationships and serve as a key driver of sustainable growth as we move into 2026 and beyond. With that, I'll now turn the call over to our CFO, Marc Benathen, to provide more detail on our third quarter financial results and outlook. Marc?

Marc Benathen: Thank you, Justin. Good afternoon, everyone, and thank you for your flexibility as we rescheduled this call from November 6 to today. Our third quarter telehealth business results were solid with year-over-year growth of 18% in revenue and 30% in adjusted EBITDA. Our Rex business rebounded from its late second quarter lows with a net gain of 10,000 new members in the third quarter. We've also executed initiatives to significantly strengthen our balance sheet, including the divestiture of our majority ownership position in WorkSimpli and the payoff of all of our debt. Following these transactions, LifeMD has the strongest balance sheet and liquidity position in the company's history. This will enable us to operate from a position of strength in 2026 as we continue to invest in scaling our core offerings, plus further diversifying our platform through growth and recently launched offerings. Now turning to third quarter numbers. Consolidated revenue grew 13% versus the year ago period to \$60.2 million. Telehealth revenue increased 18% to \$47.3 million with telehealth adjusted EBITDA growing 30% to \$2.9 million. Telehealth subscriber growth remained strong with the number of

active subscribers increasing 14% year-over-year to over 310,000 at quarter end. Gross margin for the third quarter was 88%, a decline of 290 basis points versus the prior year due to revenue mix. Gross profit was \$52.8 million, an increase of 9% from the year ago period. Telehealth gross margin was 86% as compared to 89% in the year ago period, driven by the revenue mix. Our GAAP net loss attributable to common stockholders for the third quarter of 2025 was \$4.6 million or a loss of \$0.10 per share. This compares with a GAAP net loss attributable to common stockholders for the third quarter of 2024 of \$5.4 million or a loss of \$0.13 per share. Adjusted EBITDA as a non-GAAP measure we define as income or loss attributable to common shareholders before various items as outlined in today's news release. Adjusted EBITDA totaled \$5.1 million for the third quarter of 2025 as compared with \$4.3 million in the year-ago period. Telehealth adjusted EBITDA as a non-GAAP measure defined as adjusted EBITDA for only the ongoing telehealth business, excluding WorkSimpli. This measure was \$2.9 million for the third quarter of 2025 as compared to \$2.2 million in the year ago period. We exited the third quarter with \$23.8 million in cash and no debt. As previously disclosed on November 5, we identified adjustments following system migrations related to the recognition of revenue with offsetting related balance sheet accounts for 2022, 2023, 2024 and 6 months ended June 30, 2025. This resulted in an approximate \$4.6 million impact in over recognition of revenue attributable for the total period. This adjustment had no impact on the company's cash flow or cash position. Turning to financial guidance. Following the divestiture of our majority ownership in WorkSimpli, resulting in a pure-play, stand-alone telehealth business, we expect fourth quarter revenue in the range of \$45 million to \$46 million, with adjusted EBITDA in the range of \$3 million to \$4 million. For the full year 2025, we expect revenue in the range of \$192 million to \$193 million and adjusted EBITDA in the range of \$13.5 million to \$14.5 million. Full year guidance represents growth of 24% for revenue and 254% for adjusted EBITDA versus 2024. With that, let's now open the call to your questions. Operator?

Operator: [Operator Instructions] Our first question comes from David Larsen with BTIG.

David Larsen: Congratulations on a good quarter. Can you talk a little bit about the mix of telehealth product revenue, especially in like weight loss, like how much is coming from branded scripts? How much is coming from compounded scripts? There was obviously a sequential decline. Just any color of why that happened? Just any thoughts around 2026 in the obesity health sort of product line.

Marc Benathen: Yes. David, this is Marc. I'll let Justin take the second part of the question on go-forward product strategy. As far as the revenue mix, so weight management still is more than 50% of the company's total revenue mix. Yes, there was a slight sequential decline that we had quarter-on-quarter. The subscriber base was roughly flat. It was down about 1,000 quarter-on-quarter, although that has stabilized and looks to be stable through the balance of Q4 and then with some of the product innovation in 2026 should return back to growth levels. The biggest, I'd say, mix-wise, as far as new patient sign-ups, we're seeing more than half of them coming in through branded therapy. It's less than half of the total revenue because that -- the new patient base obviously needs time to build up relative to the existing base on the patients that are coming through branded therapy of which obviously, there's a substantial portion at this point. As we mentioned, we -- the only real difference in the economics is the fulfillment fee that was on the personalized compound. So obviously, we do lose that. That was roughly -- for the majority of the time period was roughly about \$50 in orders. So we have had some impact from that. That we expect to have some additional impact in Q4, which is reflected in the guidance that we put out today. And then we expect ourselves, particularly with a lot of the product innovation going on in the market and where we're positioned with our collaboration partners to be able to capitalize upon pretty solid growth heading into next year.

Justin Schreiber: This is Justin. I'll just add quickly on 2026. I mean there are 2 big things that we expect to drive the weight management business. The first, as we emphasized in the call, is better pricing for branded therapies, which, as you know, we've made a kind of big investment in. And so I think you're already seeing the writing on the wall there. I also think that as pricing for the cash pay programs comes down, I think you'll see more and more payers covering these medications. We've also, obviously, seeing the outline of a program for Medicare to cover these drugs, which is also something that LifeMD is set up for. So I mean we're generally like really, really positive on 2026. The other -- like the other big thing that would help us would be the Trump administration doing something. And I think this is likely, not just possible, but likely that as these -- as the branded therapies that are

FDA approved become more affordable to patients, I think it is highly likely that you see FDA crack down on compounding, which would be an amazing thing for our business if FDA were to slow that down. Right now, we're getting beat up every single day by just a lot of these very low-priced semaglutide and tirzepatide offers out there that are all compounded, and it's very difficult for us to compete in that kind of a marketplace.

David Larsen: So Justin, I think you had been talking at one point about the percentage of new obesity health members coming on the platform in December of '25, expected to be around either 50% or 75%. Does that -- is that still true, like the majority of new patients are on branded products?

Justin Schreiber: Yes. I mean that's what Marc just said. I don't have the precise number as of the last 30 days, David. But I mean, I still think that, that range is certainly extremely likely. I think we're at the lower end of that range now. But I think as these prices come down and especially when the initial doses come down into the \$200 to \$300 range per month, it makes it very competitive with a lot of the other compounded offers that are out there. So I mean, I think you easily could see that number going to 75% or even higher in the very near future.

David Larsen: Okay. That's very helpful. And then in terms of your coverage, your insurance coverage like Medicare, Medicaid, commercial, just I mean, it seems to me like now that Medicare and Medicaid apparently will cover these branded products in 2026. I'm not sure when that's going to start in '26, but assuming that it does happen, I mean, it seems like that could be a significant revenue stream for you. What portion of your revenue now is, I guess, Medicare or Medicaid or insurance covered versus cash pay? And by the end of '26, what percentage of your revenue do you think will be insurance related?

Justin Schreiber: Yes, I mean, Dave, I'm not really prepared to -- Marc nor I are prepared today to give you an exact number for -- on a percentage by the end of '26. What I can say is that we are 100% ready to go with Medicare once these drugs are covered. So I think that's going to be a very significant thing for our business. And we have actually been seeing -- I don't think traction is the right word, but like we did turn on -- we have right now, it's somewhere between 100 -- I think it's somewhere between 100 million and 150 million lives under coverage right now. And we actually turned this on for the first time broadly last week. And we saw over a 1/3 reduction in our CPA. So it actually is a very, very positive thing for acquisition costs. So I think that -- I don't want to say I think, but the team at LifeMD is really energized around this. It's one of our differentiators. It's been frustrating how long it's taken for us to get these programs live. But I think that also speaks to like the difficulty for others that try to launch a 50-state payer network, right? So I think it's going to be a very positive thing for the business. And I'm really hopeful that we'll start to see that in the coming quarters and be able to talk in more detail about that becoming a greater share of our patients.

David Larsen: Any sense for what percentage of the members that are on your platform now actually have insurance? Or what percentage that would -- that perhaps don't join the platform, don't because they wanted insurance, but now that you take it, they can join in '26? Just any -- can you put some numbers or anything around the potential lift in revenue we might see with insurance coverage?

Justin Schreiber: Well, I can tell you, Dave, a decent percentage, I mean almost at least 25% of patients that sign up for our program end up not continuing with the program because they don't have insurance coverage for the medication. So that's a big thing. And as coverage increases these medications, it's going to be a massive thing for our business. So on the care side, I think it's significant. I mean I think that -- look, I mean, the stat I just gave you, we saw a 33% ballpark reduction in customer acquisition costs when we turned on the ability to use your health insurance for like, I don't know, 1/3 of the population, probably even less. So I mean that's a great sign. Like there's massive demand out there. And that once we get these programs live and functioning the way we need them to function of scale, like it actually will have a really positive repercussion on the overall business.

David Larsen: And then just one more before I hop back in the queue. Can you talk about your clinical services and your retention levels amongst members? So let's say these GLP-1s go solid oral in early '26. Like the value that LifeMD brings to members that, say, for example, an Amazon would not or a typical like Costco maybe would not. Can you maybe just talk about the value you bring and the retention levels or the weight loss that your members typically see that they may not see otherwise at a different platform?

Justin Schreiber: Sure. So I mean, some of the other partners like the Costcos of the world are going to

have these drugs inventory, just like I think it's pretty likely at some point that LifeMD will be able to direct ship these medications as well from our pharmacy directly to patients. So not a big differentiator there. Where I think there is a really big differentiator is in the portfolio of services and products that LifeMD offers. So the way I envision it, Dave, is like people may come to LifeMD and -- or they make as an alternative to Costco or their family Doctor's office, they start with -- they typically start with an amazing visit with a state license provider, and they're going to use that to access -- initially, the goal might be to access the GLP-1 medication and use their insurance for the pharmacy coverage maybe even use their insurance to cover the cost of the visit. But no one has one need. And most people that are using a GLP-1 have many other health needs, whether it's preventative care, whether it's lab work for -- it could be something that most of these people have never had a provider speaking to them about their hormone health. LifeMD is also launching a cardiovascular offering in late this quarter, early January, which is going to be an incredible program. There's an incredible shortage right now of cardiologists throughout the country. So we're very excited about that. The ability to get a different medication. So we obviously don't compound GLP-1 medications, but we have a full-blown compounding pharmacy here that if somebody needs a hormone or a dermatology product, we can compound that at a fair price, ship it directly to them. So like this is the type of thing that I think many of these other retailers that you mentioned, I don't want to name names, but I think they would all love to have this type of marketplace and even the brand associated with that marketplace. So that's going to be the big difference between LifeMD and these other places. Also it's worth pointing out that Costco doesn't have a doctor or a nurse practitioner, like they don't have the provider that can write the script. So you can go pick up your drug at Costco or some other or CVS, right? But like you still need a provider. And that's where LifeMD comes into play. I think with Amazon, you obviously get the provider. But look, there's a big difference in the LifeMD brand and Amazon's brand. And there are certainly people that are going to be very loyal to Amazon. And -- but it's a big space, right? I mean there's going to be room for a number of high-quality players in this market.

David Larsen: Great. And last one, Marc, was there any revenue impact from that, I guess, restatement, we'll call it? Was there a -- would revenue have been \$4 million higher? Or was it -- there was no impact?

Marc Benathen: No. So it was not a restatement, it was a revision. The revision had a \$1.1 million impact on this year. However, the revisions were made in the quarters that they applied to. So there was no impact to this quarterly results from it.

Operator: We'll now move on to Steven Valiquette with Mizuho.

Steven Valiquette: So I think you kind of touched on this a little bit, but I guess I was kind of curious just also on kind of like the brand uptake, how that's going to track relative to your expectations. You gave some comments on less than half is still on brand. But I guess what kind of jumps out to me is just the fact that since you guys announced your brand drug partnership deals with Novo back in April and May, we've seen Novo Nordisk sign partnership deals for low-cost branded drive with a whole bunch of other companies in the virtual care space and pharmaceutical supply channel. So I'm wondering if some of those deals have diluted your expected uptake in any way, some of those other deals actually helped you in some ways again. Just trying to get a better sense of your ability to capture your fair share of customers seeking the lower-cost brand drugs in the weight management category and diabetes, too.

Justin Schreiber: Sure. This is Justin. I'll answer that. So I think we knew that Novo and Lilly would do multiple deals. I think -- look, I don't think that them collaborating with other retailers and pharmacies and telehealth companies has an impact on the demand or the take rate on -- or the conversion rate on our platform. I think it's all about -- I think -- and I can tell you that I'm pretty sure they agree with me. Look, I think it comes down to price. And in a world where FDA ignores what's happening in the compounding world, and you can go out there and get a compounded therapy for, I don't know, even half the price or more a lot of times of what -- where the branded therapies are priced. It just makes it really difficult. And the competitiveness of even the compounding world, something that we didn't expect as -- since these drugs have come off of -- since these drugs have come off the shortage list, the number of players out there, the number of direct marketing firms that are competing in the compounded GLP-1 world has skyrocketed. I don't have an exact number, but it's just gotten -- we expected it to get better, and it actually just got a lot worse and a lot more competitive. So when people

are seeing a branded therapy that's priced at \$349 to \$499, they're seeing -- while they're purchasing and immediately after they purchase while they're waiting for a visit, right, they're seeing 10, 20 other ads, right, for these drugs sometimes as low as \$99 for the first month. And usually, the prices quickly escalate, a lot of times in ways that aren't clearly disclosed to the consumer. But that's the current landscape. So we're really optimistic about branded therapy continuing to -- these branded therapies continuing to like perform on our platform. I think there's a big demand. We think the price point, they need to be in the \$200 to \$300 range to be competitive with a lot of these offers. We need to see better coverage. We think oral therapies, and I mean, most importantly, we think that the Wegovy pill that's likely to be launched in January is going to be -- could be a massive catalyst for the business. And so that's kind of where we're at today.

Operator: We'll now move to Anderson Schock with B. Riley Securities.

Anderson Schock: So first, on the return to RexMD growth, how much of this volume has been driven by the men's HRT offering versus the ED business returning to historical levels? And how does ED patient acquisition outlook compared to historic levels? I know you previously mentioned it was back to around 80% to 90% of historic levels as of the call in August.

Marc Benathen: Yes. This is Marc. Most of the growth, so the 10,000, about 8,000 came from the sexual health business, which is mostly ED. The balance of it came from a mix of the HRT business, hair loss and insomnia. As far as the acquisition volume, I mean, the acquisition volume is very close to where it was at historical levels. I'd say the caps are about \$5 to \$10 higher than what they had been, but still healthy unit economics comparable to where they have been, and the levels are very close to where they have been historically.

Anderson Schock: Got it. And then telehealth's gross margin declined around 350 basis points. Could you provide some more color on what drove this? And how should we think about the telehealth?

Marc Benathen: Yes. So this is Marc. Nothing in the business drove it. Like-for-like product lines or service lines, the margins are the same, but it was really -- it was a couple of fold. One, as we mentioned, we're shifting more to branded product in the weight management business. That branded product, obviously, doesn't carry with it some of the medication processing or medication processing fulfillment fees that we had on the personalized compounds. That contributed probably about 150 basis points of that change. And we had always mentioned that before when we had spoken about the change from compounding to branded. The balance of the rest of it is mix in business. So today, weight management is over 50% of the company's total revenue. If you were to flip back a year ago, Rex was the biggest part of our revenue. Rex, particularly Rex sexual health will have the highest gross margins that will sit in the upper 80s. So the mix in that business and the shift there contributed to the rest.

Anderson Schock: Okay. Got it. And how should we think about the telehealth margins going forward with the new offerings in women's and behavioral health and also as you scale the 503-A compounding pharmacy?

Marc Benathen: Yes. So in general, we would expect gross margins on a rate basis to probably be slightly below where they are today. And the reason for that is a fewfold. One, mental health is a big area of opportunity for us, which will be very accretive to the company's top line and bottom line. But with that being said, gross margins in that business are not going to be 85% to 87% or so. They are going to be lower. They'll typically have a 7 in front of them from a gross margin standpoint, which is if you operate very well, which we do operate our business very well. Secondly, some of the compounded offerings, the gross margins will be slightly lower even after we transition. Although after we transition fully to our pharmacy, they'll probably get back to where the generic is or very close there. But in the interim, there will be -- the gross margins will be slightly lower and we expect that ratio shifting to branded therapy and weight to continue to go up and up to gross margins under current arrangements today where the product is a complete pass-through to the end customer, that would also have a mild impact on gross margins. All of these businesses, we do expect to be accretive to the bottom line and they all have massive ability to scale and growth opportunities. Some of them have lower advertising costs than some other businesses that we've been in. So there are puts and takes there. But from a pure GM rate standpoint, we would expect a mild erosion in the rates just due to mix of business.

Operator: We'll now move on to Sarah James with Cantor.

Sarah James: Earlier, you mentioned turning on insurance broadly last week and you talked about an

observation of customer acquisition costs being down 33%. I'm wondering if you have any other observations from turning it on broadly. And then just if you could clarify the 33%, was that the lower cost of customers with insurance coming on? Or was it that the cost per customer, customer acquisition costs for those with insurance would be even lower and you just had a big mix shift to those with insurance.

Justin Schreiber: Sarah, it's Justin. I'll take that one. Look, I think what it demonstrates -- I think what it demonstrates is that a lot of patients that are coming through the medical intake process that have clicked on LifeMD ad or business because it's something they sell on TV. I think it just demonstrates that a lot of these -- a lot of people like want to use their insurance for health care. And one of the unique things about the platform that we have that is still mostly synchronous is that we can participate in the benefits world. So it's just a function of more people getting through the flow, being able to check the insurance route versus the self-pay route, obviously, they're seeing a lower price point as well if they choose the insurance route. So there's also like a kind of exercise that we need to go through to kind of rework the financial model and see how that all plays out. But it was super encouraging and I think there's a lot more optimization that we could do as well. And so where I get really excited about this, especially is things like Medicare where if you have broad coverage for these drugs, and we know we're going to get paid for a consult, and it's really just about the patient going through the initial benefits verification process. And then you have the visit and the medication that are covered and then we can ship the medication directly from our pharmacy to the patient. I think that's super exciting. And I think it just -- I think we've always known that this would have a big impact. We were just pleasantly surprised to see that it was that big of an impact without optimizing it more.

Sarah James: Great. And the new consumer-facing app and website that you're launching, do you have any thoughts on how that could impact cross-selling ability?

Justin Schreiber: Yes. I mean it's massive. I mean, the number of kind of cross-care sign-ups per day. I mean I think it could easily be 50 or 100 consults per day off the bat and various care programs without us doing any work except for just the technology functioning. So I'm really excited about it. I mean, I think I know that it has the -- I know that it's the potential to like totally change the profile of the business. And also just totally LTV and retention rates across the business. So it's been a big effort and the new app is going to be beautiful. It's going to look -- I mean, I think our current app looks good. But what we're launching is just leagues ahead of where we are today. And I think it's going to have a big impact on the brand and also on the cross-care rate and ultimately the LTV for the business.

Operator: We'll now move on to Yi Chen with HCW.

Eduardo Martinez-Montes: This is Eduardo on for Yi. I had a question regarding the 503-A pharmacy. You mentioned that you're licensed in 14 states now. I'm just curious if you have an anticipated time line to reach the 50-state coverage and how much margin impact do you think that will have once you're fully scaled.

Justin Schreiber: Yes. I think -- this is Justin, again. The licensing process is pretty quick for a pharmacy that's already licensed up across the country like we are. So I would expect to be 35 state licensed in the next 60 to 90 days at the latest, could be even sooner. And then the next kind of 15 states will trickle in, I think, let's just say another 30, 60, 90 days from there with 1 or 2 like California being the most difficult. So it's not a long-term thing, let's just say, I think we can be 50-state licensed for compounding, maybe with the exception of 1 or 2 difficult states in the next couple of months.

Eduardo Martinez-Montes: Got it. And then regarding the...

Justin Schreiber: And your question on the margin, I mean, the reality is it does have -- I mean owning and operating a 503-A compounding pharmacy is a big, big competitive advantage for us. It's extremely difficult to get the COGS to where you need them to be for our type of business, working with a third-party pharmacy. We do have some great third-party compounding pharmacy partners, and they're not going anywhere. But again, being able to bring these things in-house, control the patient experience, really leverage kind of our supply chain capabilities as well, which are really good, especially in pharmacy to drive down COGS. I mean it just makes these things so much more accessible for patients.

Eduardo Martinez-Montes: Got it. And regarding the oral obesity products that we anticipate coming on to market soon. Do you have any visibility? Is there any market research to indicate what kind of bump

-- like what fraction of patients are really holding back because they don't like the needle, right? I'm just trying to get a feel for your impression of how much these orally bioavailable obesity products are going to have on uptake of these therapies.

Justin Schreiber: I think it's big, but I think your guess is as good as mine and probably as good as the drug manufacturers, right? I don't think there's never been an oral medication for weight loss with the type of efficacy profile that Wegovy pill will have that's been approved by FDA. So it's really difficult. I think it's enormous. I mean in my social circles, especially people that are a little bit older, I think it could expand the market by 25% to 50%. I personally know a number of people that I would never think would avoid a very small needle like this or injectable, but that are just waiting for the oral product to come to market. So I think it's going to be very big. I mean to put a number on it, it's very difficult, but there is going to be massive demand is what I think.

Operator: Thank you. At this time, we've reached our allotted time for questions. I'll now turn the call back over to Justin Schreiber.

Justin Schreiber: Thank you for your questions and for your interest in LifeMD. And we look forward to speaking with you once again when we report our third quarter results -- or sorry, when we report our fourth quarter results in March of next year. Have a great evening.

Operator: Thank you. This brings us to the end of today's meeting. We appreciate your time and participation. You may now disconnect.